(b) if so, whether it is also a fact that barely about 32 lakh Government employees are blamed for increase in the prices of essential commodities due to payment of D.A. to them; and

(c) if so, in what manner Government employees are expected to be benefited?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) No, Sir.

(b) and (c) Do not arise.

Withdrawal of tax benefits to co-operative banks

1552. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have withdrawn tax benefits given to co-operative banks under Section 80(P) of the Income Tax Act, 1961;

(b) if so, the reasons therefor;

(c) whether Government are aware that Indian Banks' Association has also made submission to Government to restore the benefits given to the Cooperative Banks; and

(d) if so, the action taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): <a) Yes, Sir. The tax benefit available under Section 80P to co-operative banks has been withdrawn by Finance Act, 2006. However, primary Agriculture Credit societies and Primary Cooperative Agricultural and Rural Development Banks continue to enjoy the tax benefit under section SOP.

(b) The reasons for withdrawal of the tax benefit under Section 80P of the Income-tax Act are the following:

(i) Co-operative banks are like any other bank and the principle of mutuality does not apply because their area of operations extend even to the non-members.

(ii) It is in consonance with the objective of the Government to expand the tax base by phasing out all exemptions that are considered economically in efficient and inequitable.

(iii) income-tax is a tax on profits and there is no rationale for exempting profit-making co-operative banks from payment of income-tax.

(iv) Expert committees have recommended the withdrawal of tax benefits under this Section.

(c) Yes, Sir.

(d) The representation of Indian Banks' Association has been duly considered and has not been accepted in view of the reasons mentioned above.

Scrapping of FBT

1553. SHRI MAHENDRA MOHAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that collections from the Fringe Benefit Tax (FBT) in the period April 1,2006 to January 31, 2007 stood at Rs. 3,984 crore, a tiny part of the Rs. 1,56,429 crores collected as direct taxes during this period;

(b) whether the distortionary impact of the tax is much larger-so large that even larger collections would not justify them;

(c) whether Government would consider to scrap the Fringe Benefit Tax; and

(d) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The amount of FBT collected til! 31.1.2007 is Rs. 3,948 crore.

(b) There is no economic basis for holding the view that the Fringe Benefit Tax is distortionary.

(c) No, Sir.